

FISCAL IMPACT STATEMENT ON BILL NO. **H.3567**

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TO:	The Honorable Daniel T. "Dan" Cooper, Chairperson, House Ways and Means Committee		
FROM:	Office of State Budget, Budget and Control Board		
ANALYSTS:	Torina Wood		
DATE:	March 20, 2007	SBD:	2007200

AUTHOR:	Representative Rice	PRIMARY CODE CITE:	12-21-620
SUBJECT:	Healthy Communities Capacity Act		

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:

\$0 (No additional expenditures or savings are expected)

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:

See Below

BILL SUMMARY:

House Bill 3562 amends the Code of Law of South Carolina, 1976, relating to taxation on cigarettes, so as to increase the amount of tax on each cigarette from three and one-half mills to two cents. The Bill provides that revenue be used to expand Medicaid coverage to children eighteen and under whose family income does not exceed 200% of the federal poverty level. The Bill also creates the Health Care Trust Fund which must be used by the Department of Health and Human Services (DHHS) to provide Medicaid benefits to individuals nineteen and older who are uninsured and whose family income does not exceed one hundred percent of the federal poverty level.

EXPLANATION OF IMPACT:

The Board of Economic Advisors estimates additional cigarette tax revenue upon enactment at \$116,948,000. Revenue generated will be used by DHHS to expand the Children's Health Insurance Program (CHIPs) and to provide coverage to adults who are uninsured and whose family income does not exceed one hundred percent of the federal poverty level. Based on figures provided by DHHS, a balance of \$32,512,135 would remain in the Health Care Trust Fund the first year after implementation of these programs to all eligible recipients. Cost estimates associated with implementation and expansion of these programs at DHHS is summarized below.

Section 44-6-157 (A) – Medicaid Expansion to Children whose Family Income is under 200% FPL

DHHS estimates expansion of the Children's Health Insurance Program (CHIPs) to children whose family incomes do not exceed 200% of the federal poverty level would result in an additional 78,892 Medicaid eligible recipients. Based on this estimate, total additional cost to that program would be \$110,243,176 (including administration). Of that amount \$23,942,649 of cigarette tax revenue would be needed for state matching funds which would generate \$86,300,527 in federal funds. The CHIPs program has a match rate of approximately 80% federal / 20% state match. Program administration costs are estimated at \$1,530,000 with a match rate of 50% federal / 50% state match.

Section 44-6-157 (C) – Medicaid Expansion to Adults whose Family Income is under 100% FPL

DHHS estimates expansion of Medicaid benefits to adults nineteen and older whose family incomes do not exceed 100% of the federal poverty level would result in an additional 85,199 Medicaid eligible recipients. Based on this estimate, total additional cost to that program would be \$198,598,869. Of that amount \$60,493,215 of cigarette tax revenue would be needed for state matching funds which would generate \$138,105,652 in federal funds. The Adult Medicaid program has a match rate of approximately 69.54% federal / 30.46% state match. DHHS reports any administration costs associated with this program can be absorbed within its current resources.

Cost estimates are summarized below.

<u>H.3567 Impact Summary</u>			
<u>Children's Health Insurance Program</u>	<u>Administration</u>	<u>Program</u>	<u>Total</u>
Cigarette Tax	765,000	23,177,649	23,942,649
Federal Funds	765,000	85,535,527	86,300,527
Subtotal	\$1,530,000	\$108,713,176	\$110,243,176
<u>Adult Medicaid</u>			
Cigarette Tax	0	60,493,215	60,493,215
Federal Funds	0	138,105,652	138,105,652
Subtotal	\$0	\$198,598,867	\$198,598,867
<u>Total H.3567</u>			
Cigarette Tax	765,000	83,670,864	84,435,864
Federal Funds	765,000	223,641,179	224,406,179
Grand Total	\$1,530,000	\$307,312,043	\$308,842,043
Total Available Cigarette Tax			\$116,948,000
Balance Remaining - Year 1			\$32,512,136

SPECIAL NOTES:

As noted in the Bill, DHHS would have to apply for and obtain a waiver to generate federal funds for implementation. The Board of Economic Advisors is the appropriate entity to address the revenue impact associated with this or any other Bill.

Approved by:



Harry Bell
Assistant Director, Office of State Budget